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Senate Engrossed

State of Arizona
Senate
Forty-seventh Legislature
First Regular Session
2005

SENATE BILL 1521

AN ACT

AMENDING SECTIONS 28-6547 AND 35-113, ARIZONA REVISED STATUTES; AMENDING TITLE 35, CHAPTER 1, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 35-123; AMENDING SECTIONS 35-131, 38-737, 38-803, 38-848, 38-883, 41-723 AND 41-1292.03, ARIZONA REVISED STATUTES; AMENDING LAWS 2001, CHAPTER 236, SECTION 89, AS AMENDED BY LAWS 2002, CHAPTER 327, SECTION 103; AMENDING LAWS 2003, CHAPTER 262, SECTION 88; RELATING TO STATE BUDGET PROCEDURES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 28-6547, Arizona Revised Statutes, is amended to
3 read:

4 28-6547. Safety enforcement and transportation infrastructure
5 fund: exemption from lapsing

6 A. The safety enforcement and transportation infrastructure fund is
7 established. The fund consists of monies deposited pursuant to sections
8 28-2321, 28-2324, 28-2325, 28-5739, 28-5863 and 28-5864. The department
9 shall administer the fund.

10 B. Subject to legislative appropriation, monies in the fund shall be
11 spent on the following:

12 1. Enforcement of vehicle safety requirements by the department of
13 public safety and the department of transportation within twenty-five miles
14 of the border between Arizona and Mexico.

15 2. Construction and maintenance of transportation facilities and
16 upgrades of transportation facilities, including roads, streets and highways,
17 approved by the board within twenty-five miles of the border between Arizona
18 and Mexico.

19 3. As approved by the board, maintenance and construction of
20 transportation facilities in the CANAMEX high priority corridor as defined in
21 section 332 of the national highway system designation act of 1995 (P.L.
22 104-59; 109 Stat. 596-597).

23 4. ACTIVITIES OF THE DEPARTMENT THAT INCLUDE THE COLLECTION OF
24 TRANSPORTATION AND TRADE DATA IN THE UNITED STATES AND MEXICO FOR THE
25 PURPOSES OF CONSTRUCTING TRANSPORTATION FACILITIES, IMPROVING PUBLIC SAFETY,
26 IMPROVING TRUCK PROCESSING TIME AND RELIEVING CONGESTION AT PORTS OF ENTRY ON
27 THE BORDER BETWEEN ARIZONA AND MEXICO. THE DEPARTMENT MAY ENTER INTO AN
28 AGREEMENT WITH THE ARIZONA-MEXICO COMMISSION AND PROVIDE FUNDING TO THE
29 COMMISSION FOR THE PURPOSES CONTAINED IN THIS PARAGRAPH.

30 C. IF THE DEPARTMENT DETERMINES THAT ACTIVITIES PROPOSED BY THE
31 ARIZONA OFFICE OF HOMELAND SECURITY MAY IMPROVE TRAFFIC SAFETY IN THIS STATE,
32 THE DEPARTMENT MAY ENTER INTO AN AGREEMENT WITH, AND PROVIDE, SUBJECT TO
33 LEGISLATIVE APPROPRIATION, FUND MONIES TO, THE ARIZONA OFFICE OF HOMELAND
34 SECURITY FOR THE PURPOSES CONTAINED IN THIS SUBSECTION.

35 D. IF THE DEPARTMENT DETERMINES THAT ACTIVITIES PROPOSED BY THE
36 ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY FOR PLANNING, DEVELOPMENT AND
37 CONSTRUCTION OF TRANSPORTATION FACILITIES ON THE BORDER BETWEEN ARIZONA AND
38 MEXICO MAY IMPROVE TRAFFIC SAFETY IN THIS STATE, THE DEPARTMENT MAY ENTER
39 INTO AN AGREEMENT WITH, AND PROVIDE, SUBJECT TO LEGISLATIVE APPROPRIATION,
40 FUND MONIES TO, THE ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY FOR THE
41 PURPOSES CONTAINED IN THIS SUBSECTION.

42 ~~E.~~ E. On notice from the department, the state treasurer shall invest
43 and divest monies in the fund as provided by section 35-313, and monies
44 earned from investment shall be credited to the fund.

1 ~~D.~~ F. Monies in the fund are exempt from the provisions of section
2 35-190 relating to lapsing of appropriations.

3 Sec. 2. Section 35-113, Arizona Revised Statutes, is amended to read:

4 35-113. Submission of budget estimates

5 Every year for annual budget units and biennially in even-numbered
6 years for biennial budget units, the head of each budget unit, not later than
7 September 1 or at a later date not to exceed thirty days after September 1 if
8 approved by the director of the governor's office of strategic planning and
9 budgeting, shall submit to the governor, with five copies, estimates of the
10 financial requirements and of receipts, INCLUDING APPROPRIATED AND
11 NONAPPROPRIATED MONIES IN NO LESS DETAIL THAN THE STATE GENERAL FUND, of the
12 budget unit for the next two ensuing fiscal years for biennial budget units
13 and for the next fiscal year for annual budget units. The estimates shall be
14 on the forms and in the manner prescribed by the governor with explanatory
15 data that may be required, together with additional information the head of
16 the budget unit desires to submit. The governor may require biennial budget
17 units to submit budget estimates more often than every two years. ~~By July 1,~~
18 ~~1998, the staff of the joint legislative budget committee and the governor's~~
19 ~~office of strategic planning and budgeting shall issue a schedule specifying~~
20 ~~the year in which each budget unit shall begin submitting the financial~~
21 ~~requirements for each program and subprogram for which the budget unit is~~
22 ~~wholly or partially responsible as determined pursuant to section 35-122.~~
23 ~~All budget units shall be converted by fiscal year 2006.~~ The estimate so
24 submitted shall bear the approval of the administrative head of the budget
25 unit.

26 Sec. 3. Title 35, chapter 1, article 2, Arizona Revised Statutes, is
27 amended by adding section 35-123, to read:

28 35-123. Nonappropriated monies; report

29 THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING SHALL PREPARE
30 AND DISTRIBUTE A SEPARATE REPORT ON OR BEFORE FEBRUARY 1 OF EACH YEAR ON ALL
31 NONAPPROPRIATED MONIES. THE REPORT SHALL INCLUDE ACTUAL RECEIPTS AND
32 EXPENDITURES FOR THE PRIOR FISCAL YEAR AND ESTIMATES OF RECEIPTS AND
33 EXPENDITURES FOR THE CURRENT FISCAL YEAR AND THE NEXT FISCAL YEAR.

34 Sec. 4. Section 35-131, Arizona Revised Statutes, is amended to read:

35 35-131. Accounting system; reports; notice of deficiency; forms

36 A. In accordance with generally accepted governmental accounting
37 principles, the department of administration shall develop and prescribe for
38 the use of all budget units a uniform accounting system so designed as to
39 ensure compliance with all legal and constitutional requirements including
40 those respecting the receipt and expenditure of and the accountability for
41 public monies.

42 B. The department of administration shall maintain complete, accurate
43 and current financial records relating to state monies and to other public
44 monies in the state treasury available to, encumbered BY or expended by each
45 budget unit, including trust monies or other monies not subject to

1 appropriation, setting out all revenues, charges against all funds, fund and
2 appropriation balances, interfund transfers, outstanding warrants and
3 encumbrances, in a manner consistent with the uniform state accounting
4 system, for the preparation of statewide financial statements in accordance
5 with generally accepted governmental accounting principles.

6 C. Each month the department of administration shall prepare and
7 submit to the governor a report summarizing by budget unit and appropriation
8 or other fund source the above information in such form as will most clearly
9 and accurately set out the current fiscal condition of the state and shall
10 furnish to each budget unit a report of its transactions by appropriation or
11 other fund source in a form that will clearly and accurately show the fiscal
12 activity and condition of such appropriation or fund source.

13 D. The responsible official for each budget unit shall monitor reports
14 prepared pursuant to subsection C of this section to identify any projected
15 total deficiency for the budget unit fiscal year. On a determination of a
16 projected deficiency, the official shall take any action necessary to assure
17 continuing compliance with section 1-254 by notifying the governor, the
18 speaker of the house of representatives, the president of the senate and the
19 chairman of the joint legislative budget committee of the deficiency and the
20 reasons for the deficiency. The initial notification of the deficiency shall
21 be followed within ten business days by a report from the responsible budget
22 unit official that includes the following:

23 1. A complete explanation of the causes of the deficiency.

24 2. A plan that assures that the deficiency will be resolved within the
25 fiscal year without supplemental appropriation and that includes the policy
26 and programmatic implications of the deficiency and the plan.

27 3. A commitment to provide a progress report if the projected degree
28 of deficiency changes substantially. The report shall include additional
29 measures necessary to assure resolution of the deficiency within the fiscal
30 year.

31 E. On or before December 1 of each year, the director of the
32 department of administration shall submit to the governor a complete report
33 of the financial transactions of the preceding fiscal year and of the
34 financial condition of the state at the end of that year with such comments
35 and supplementary data as the director of the department of administration
36 deems necessary to make the report complete and readily understandable. **THE**
37 **REPORT SHALL INCLUDE ALL APPROPRIATED AND NONAPPROPRIATED MONIES IN NO LESS**
38 **DETAIL THAN THE STATE GENERAL FUND.**

39 F. The director of the department of administration shall prescribe
40 uniform classifications for assets, liabilities, receipts and expenditures
41 and forms for the periodic reporting of financial accounts, transactions and
42 other matters by budget units compatible with the reports required of the
43 director of the department of administration under this section. Such
44 records and accounts shall be maintained and reconciled by budget units. If
45 required for reporting, the department of administration may establish or

1 delete funds and budget units may maintain additional records for reporting
2 to the federal government or other funding source.

3 G. Each organization that is included in the state's reporting entity
4 as defined by generally accepted accounting principles shall submit all
5 necessary financial statements or information to the department of
6 administration on a basis of accounting that is consistent with generally
7 accepted accounting principles and that is in accordance with the policies
8 and procedures of the department of administration.

9 Sec. 5. Section 38-737, Arizona Revised Statutes, is amended to read:
10 38-737. Employer contributions

11 A. Employer contributions ~~for the biennial period~~ shall be a
12 percentage of compensation of all employees of the employers, excluding the
13 compensation of those employees who are members of the defined contribution
14 program administered by ASRS, as determined by the ASRS actuary pursuant to
15 this section for June 30 of the ~~even-numbered~~ FISCAL year immediately
16 preceding the ~~biennial period~~ PRECEDING FISCAL YEAR, except that beginning
17 with fiscal year 2001-2002 the contribution rate shall not be less than two
18 per cent of compensation of all employees of the employers. The total
19 employer contribution shall be determined on the projected unit credit
20 method. ~~Except as provided in subsection D of this section,~~ The total
21 employer contributions shall be equal to the employer normal cost plus the
22 amount required to amortize the past service funding requirement over a
23 rolling thirty-year period.

24 B. All contributions made by the employer and allocated to the fund
25 established by section 38-712 are irrevocable and shall be used as benefits
26 under this article or to pay expenses of ASRS.

27 C. The required employer contributions shall be determined ~~every other~~
28 ~~year~~ ON AN ANNUAL BASIS by an actuary who is selected by the board and who is
29 a fellow of the society of actuaries. ASRS shall provide a preliminary
30 report by November 1 and a final report by December 15 of each ~~even-numbered~~
31 FISCAL year to the governor, the speaker of the house of representatives and
32 the president of the senate on the contribution rate for the ~~two~~ ensuing
33 fiscal ~~years~~ YEAR.

34 ~~D. For the fiscal years ending June 30, 1995 through June 30, 1997 and~~
35 ~~commencing with fiscal year ending June 30, 1998 through June 30, 2013 the~~
36 ~~funding period used to determine the valuation of ASRS and employer~~
37 ~~contributions payable beginning July 1 of the following year or biennial~~
38 ~~period shall be determined by the ASRS actuary using the following schedule:~~

Valuation for the	Biennial period	Funding period ends
Fiscal year ending		
June 30, 1995		June 30, 2005
June 30, 1996		June 30, 2007
June 30, 1997		June 30, 2009
June 30, 1998	July 1, 1999 to June 30, 2001	June 30, 2011
June 30, 2000	July 1, 2001 to June 30, 2003	June 30, 2015

1	June 30, 2002	July 1, 2003 to June 30, 2005	June 30, 2019
2	June 30, 2004	July 1, 2005 to June 30, 2007	June 30, 2023
3	June 30, 2006	July 1, 2007 to June 30, 2009	June 30, 2027
4	June 30, 2008	July 1, 2009 to June 30, 2011	June 30, 2031
5	June 30, 2010	July 1, 2011 to June 30, 2013	June 30, 2035
6	June 30, 2012	July 1, 2013 to June 30, 2015	June 30, 2039

7 ~~E. If at any time between June 30, 1995 and June 30, 2013 ASRS becomes~~
8 ~~underfunded, the funding period immediately and permanently reverts to the~~
9 ~~period provided in subsection A of this section.~~

10 ~~F. For the purposes of this section "biennial period" means the two~~
11 ~~year period beginning on July 1 of an odd-numbered year and ending on June 30~~
12 ~~of the next odd-numbered year.~~

13 Sec. 6. Section 38-803, Arizona Revised Statutes, is amended to read:
14 38-803. Powers and duties of the fund manager

15 A. The fund manager, in the administration, management and operation
16 of the plan and fund, shall:

17 1. Account for the operation, administration and investment expenses
18 and allocate them against investment income.

19 2. Contract on a fee basis with an actuary to make an actuarial
20 valuation of the plan based on the valuation method and valuation assumptions
21 recommended by the actuary and approved by the fund manager. The actuary
22 shall be a member of the American academy of actuaries.

23 3. Contract on a fee basis with an independent auditing firm to make
24 an annual audit of the accounting records of the fund and file a copy of the
25 audit with the auditor general.

26 4. Invest the monies in the fund as provided in section 38-848.

27 5. Within a period of six months after the close of each fiscal year,
28 submit a detailed report of the operation and the investment performance of
29 the plan to the governor, the legislature and the members of the plan.

30 6. By November 1 of each ~~even-numbered~~ year provide a preliminary
31 report and by December 15 of each ~~even-numbered~~ year provide a final report
32 to the governor, the speaker of the house of representatives and the
33 president of the senate on the contribution rate for the ~~two~~ ensuing fiscal
34 ~~years~~ YEAR.

35 B. The fund manager, in the administration, management and operation
36 of the plan and fund, may:

37 1. Employ services as it deems necessary.

38 2. Either keep invested monies separate or commingle invested monies
39 as it deems appropriate.

40 3. Delegate authority as it deems necessary and prudent to the
41 administrator employed pursuant to section 38-848, subsection K, paragraph 6.

42 4. Do all acts, whether expressly authorized, which may be deemed
43 necessary or proper for the protection of the fund.

44 Sec. 7. Section 38-848, Arizona Revised Statutes, is amended to read:
45 38-848. Fund manager

1 A. The fund manager shall consist of five members and shall have the
2 rights, powers and duties that are set forth in this section. The term of
3 office of members shall be three years to expire on the third Monday in
4 January of the appropriate year. Members are eligible to receive
5 compensation in an amount of fifty dollars a day, but not to exceed one
6 thousand dollars in any one fiscal year, and are eligible for reimbursement
7 of expenses pursuant to chapter 4, article 2 of this title. The fund manager
8 consists of the following members appointed by the governor pursuant to
9 section 38-211:

10 1. One elected member from a local board to represent the employees.

11 2. One member to represent the state as an employer of public safety
12 personnel.

13 3. One member to represent the cities as employers of public safety
14 personnel.

15 4. An elected county or state official or a judge of the superior
16 court, court of appeals or supreme court.

17 5. One public member.

18 B. All monies in the fund shall be deposited and held in a public
19 safety personnel retirement system depository. Monies in the fund shall be
20 disbursed from the depository separate and apart from all monies or funds of
21 the state and the agencies, instrumentalities and subdivisions thereof. The
22 monies shall be secured by the depository in which they are deposited and
23 held to the same extent and in the same manner as required by the general
24 depository law of the state. The fund is subject to the sole management of
25 the fund manager for the purpose of this article.

26 C. All contributions under this system shall be forwarded to the fund
27 manager and shall be held, invested and reinvested by the fund manager. All
28 property and funds of the fund, including income from investments and from
29 all other sources, shall be retained for the exclusive benefit of members, as
30 provided in the system, and shall be used to pay benefits to members or their
31 beneficiaries or to pay expenses of operation and administration of the
32 system and fund.

33 D. The fund manager shall have the full power in its sole discretion
34 to invest and reinvest, alter and change the monies accumulated under the
35 system. The fund manager may delegate the authority it deems necessary and
36 prudent to the administrator, employed by the fund manager pursuant to
37 subsection K, paragraph 6 of this section, to invest the monies of the system
38 if the administrator follows the investment guidelines, statement of
39 investment policy and fund objectives promulgated by the fund manager. The
40 fund manager may commingle securities and monies of the fund subject to the
41 crediting of receipts and earnings and charging of payments to the account of
42 the appropriate employer. In making every investment, the fund manager shall
43 exercise the judgment and care under the circumstances then prevailing which
44 men of ordinary prudence, discretion and intelligence exercise in the
45 management of their own affairs, not in regard to speculation but in regard

1 to the permanent disposition of their funds, considering the probable income
2 from their funds as well as the probable safety of their capital, provided:

3 1. That not more than seventy per cent of the pension fund shall be
4 invested at any given time in corporate stocks, based on cost value of such
5 stocks irrespective of capital appreciation.

6 2. That no more than five per cent of the pension fund shall be
7 invested in securities issued by any one institution, agency or corporation,
8 other than securities issued as direct obligations of and fully guaranteed by
9 the United States government.

10 3. That not more than five per cent of the voting stock of any one
11 corporation shall be owned.

12 4. That corporate stocks eligible for purchase shall be restricted to
13 stocks that, except for bank stocks and insurance stocks, are either:

14 (a) Listed or approved on issuance for listing on an exchange
15 registered under the securities exchange act of 1934, as amended (15 United
16 States Code sections 78a through 7811).

17 (b) Designated or approved on notice of issuance for designation on
18 the national market system of a national securities association registered
19 under the securities exchange act of 1934, as amended (15 United States Code
20 sections 78a through 7811).

21 (c) Listed or approved on issuance for listing on an exchange
22 registered under the laws of this state or any other state.

23 (d) Listed or approved on issuance for listing on an exchange of a
24 foreign country with which the United States is maintaining diplomatic
25 relations at the time of purchase, except that no more than ten per cent of
26 the pension fund shall be invested in foreign equity securities on these
27 exchanges, based on the cost value of the stocks irrespective of capital
28 appreciation.

29 E. Notwithstanding any other law, the fund manager shall not be
30 required to invest in any type of investment that is dictated or required by
31 any entity of the federal government and that is intended to fund economic
32 development projects, public works or social programs, but may consider such
33 economically targeted investments pursuant to its fiduciary responsibility.

34 F. Conference call meetings of the fund manager of the public safety
35 personnel retirement system which are held for investment purposes only are
36 not subject to the provisions of chapter 3, article 3.1 of this title, except
37 that the fund manager shall maintain minutes of these conference call
38 meetings and make them available for public inspection within twenty-four
39 hours after the meeting. The fund manager shall review the minutes of each
40 conference call meeting and shall ratify all legal actions taken during each
41 conference call meeting at the next scheduled meeting of the fund manager.

42 G. The fund manager shall not be held liable for the exercise of more
43 than ordinary care and prudence in the selection of investments and
44 performance of its duties under the system and shall not be limited to
45 so-called "legal investments for trustees", but all funds of the system shall

1 be invested subject to all of the conditions, limitations and restrictions
2 imposed by law.

3 H. Except as provided in subsection D of this section, the fund
4 manager may:

5 1. Invest and reinvest the principal and income of the pension fund
6 without distinction between principal and income.

7 2. Sell, exchange, convey, transfer or otherwise dispose of any
8 investments of the fund held in the name of the system by private contract or
9 at public auction.

10 3. Also:

11 (a) Vote upon any stocks, bonds or other securities.

12 (b) Give general or special proxies or powers of attorney with or
13 without power of substitution.

14 (c) Exercise any conversion privileges, subscription rights or other
15 options and make any payments incidental to the exercise of the conversion
16 privileges, subscription rights or other options.

17 (d) Consent to or otherwise participate in corporate reorganizations or
18 other changes affecting corporate securities, delegate discretionary powers
19 and pay any assessments or charges in connection therewith.

20 (e) Generally exercise any of the powers of an owner with respect to
21 stocks, bonds, securities or other investments held in the fund.

22 4. Make, execute, acknowledge and deliver any other instruments that
23 may be necessary or appropriate to carry out the powers granted in this
24 section.

25 5. Register any investment held in the fund in the name of the fund or
26 in the name of a nominee.

27 6. At the expense of the system, enter into an agreement with any bank
28 or banks for the safekeeping and handling of securities and other investments
29 coming into the possession of the fund manager. The agreement shall be
30 entered into under terms and conditions that secure the proper safeguarding,
31 inventory, withdrawal and handling of the securities and other investments.
32 No access to and no deposit or withdrawal of the securities from any place of
33 deposit selected by the fund manager shall be permitted or made except as the
34 terms of the agreement may provide.

35 7. Appear before local boards and the courts of this state and
36 political subdivisions of this state through counsel or appointed
37 representative to protect the fund. The fund manager is not responsible for
38 the actions or omissions of the local boards under this system but may seek
39 review or rehearing of actions or omissions of local boards. The fund
40 manager does not have a duty to review actions of the local boards but may do
41 so in its discretion in order to protect the fund.

42 8. Empower the fund administrator to take actions on behalf of the
43 fund manager that are necessary for the protection and administration of the
44 fund in accordance with the guidelines of the fund manager.

1 9. Do all acts, whether or not expressly authorized that may be deemed
2 necessary or proper for the protection of the investments held in the fund.

3 I. Investment expenses and operation and administrative expenses of
4 the fund manager shall be accounted for separately and allocated against
5 investment income.

6 J. The fund manager, as soon as possible within a period of six months
7 following the close of any fiscal year, shall transmit to the governor and
8 the legislature an annual statement on the operation of the system
9 containing, among other things:

10 1. A balance sheet.

11 2. A statement of income and expenditures for the year.

12 3. A report on an actuarial valuation of its assets and liabilities.

13 4. A detailed statement of the investments acquired and disposed of
14 during the year.

15 5. A list of investments owned.

16 6. The total rate of return, yield on cost, and per cent of cost to
17 market value of the fund.

18 7. Any other statistical and financial data that may be necessary for
19 the proper understanding of the financial condition of the system and the
20 results of its operations. A synopsis of the annual report shall be
21 published for the information of members of the system.

22 K. The fund manager shall:

23 1. Maintain the accounts of the system and issue statements to each
24 employer annually and to each member who may request it.

25 2. Report the results of the actuarial valuations to the local boards
26 and employers.

27 3. Contract on a fee basis with an independent investment counsel to
28 advise the fund manager in the investment management of the fund and with an
29 independent auditing firm to audit the fund manager's accounting.

30 4. Permit the auditor general to make an annual audit and the results
31 shall be transmitted to the governor and the legislature.

32 5. Contract on a fee basis with an actuary who shall make actuarial
33 valuations of the system, be the technical adviser of the fund manager on
34 matters regarding the operation of the funds created by the provisions of the
35 system and perform other duties required in connection therewith. The
36 actuary must be a member of a nationally recognized association or society of
37 actuaries.

38 6. Employ, as administrator, a person, state department or other body
39 to serve at the pleasure of the fund manager.

40 7. Establish procedures and guidelines for contracts with actuaries,
41 auditors, investment counsel, legal counsel and for safeguarding of
42 securities.

43 L. The administrator, under the direction of the fund manager, shall:

44 1. Administer the provisions of this article.

1 2. Invest the funds of the system as the fund manager deems necessary
2 and prudent as provided in subsections D and H of this section and subject to
3 the investment guidelines, statement of investment policy and fund objectives
4 promulgated by the fund manager.

5 3. Establish and maintain an adequate system of accounts and records
6 for the system which shall be integrated with the accounts, records and
7 procedures of the employers so that the system operates most effectively and
8 at minimum expense and that duplication of records and accounts is avoided.

9 4. In accordance with personnel rules and procedures and the budget
10 adopted by the fund manager, hire such employees and services the
11 administrator deems necessary and prescribe their duties.

12 5. Be responsible for income, the collection of the income and the
13 accuracy of all expenditures.

14 6. Recommend to the fund manager annual contracts for the system's
15 actuary, auditor, investment counsel, legal counsel and safeguarding of
16 securities.

17 7. Perform additional duties and powers prescribed by the fund manager
18 and delegated to the administrator.

19 M. The fund manager, the administrator and all persons employed by
20 them are not under the jurisdiction of the department of administration or
21 subject to section 38-611 or title 41, chapter 4, articles 5 and 6. The
22 salaries of the administrator and other employees of the fund manager are the
23 sole determination of the fund manager. Contracts for goods and services
24 approved by the fund manager are not subject to title 41, chapter 23.

25 N. The attorney general or an attorney approved by the attorney
26 general and paid by the fund shall be the attorney for the fund manager and
27 shall represent the fund manager in any legal proceeding.

28 O. At least once in each five-year period after the effective date,
29 the actuary shall make an actuarial investigation into the mortality, service
30 and compensation experience of the members and beneficiaries of the system
31 and shall make a special valuation of the assets and liabilities of the funds
32 of the system. Taking into account the results of the investigation and
33 special valuation, the fund manager shall adopt for the system such
34 mortality, service and other tables deemed necessary.

35 P. On the basis of the tables the fund manager adopts, the actuary
36 shall make a valuation of the assets and liabilities of the funds of the
37 system not less frequently than every ~~other~~ year. By November 1 of each
38 ~~even-numbered~~ year the fund manager shall provide a preliminary report and by
39 December 15 of each ~~even-numbered~~ year provide a final report to the
40 governor, the speaker of the house of representatives and the president of
41 the senate on the contribution rate for the ~~two~~ ensuing fiscal ~~years~~ YEAR.

42 Q. Neither the fund manager nor any member or employee of the fund
43 manager shall directly or indirectly, for himself or as an agent, in any
44 manner use the monies or deposits of the fund except to make current and
45 necessary payments, nor shall the fund manager or any member or employee

1 become an endorser or surety or in any manner an obligor for monies loaned by
2 or borrowed from the fund.

3 Sec. 8. Section 38-883, Arizona Revised Statutes, is amended to read:

4 38-883. Fund manager: powers and duties

5 A. The fund manager shall:

6 1. Maintain records of the operation and administration of the plan
7 and fund.

8 2. Contract on a fee basis for an independent annual audit of the
9 accounting records of the plan and fund and file a copy of the audit report
10 with the auditor general.

11 3. Employ on a fee basis an independent firm of actuaries to perform
12 annual actuarial valuations for each participating employer of the plan and
13 fund based on an actuarial cost method and actuarial assumptions recommended
14 by the actuary and adopted by the fund manager. The actuarial valuations
15 shall be performed by or under the direct supervision of an actuary who is a
16 member of the American academy of actuaries. By November 1 of each
17 ~~even-numbered~~ year the fund manager shall provide a preliminary report and by
18 December 15 of each ~~even-numbered~~ year provide a final report to the
19 governor, the speaker of the house of representatives and the president of
20 the senate on the contribution rate for the ~~two~~ ensuing fiscal ~~years~~ YEAR.

21 4. Invest and reinvest the monies and assets of the fund in accordance
22 with the investment provisions of the public safety personnel retirement
23 system. The fund manager may commingle securities and monies of the fund
24 subject to the crediting of receipts and earnings and charging of payments to
25 the account of the appropriate employer.

26 5. Submit a detailed annual report of the operation and investment
27 performance of the plan and fund to the governor, the legislature and the
28 members of the plan. The fund manager shall submit the annual report no
29 later than six months after the end of the fiscal year to which it pertains.

30 B. The fund manager may:

31 1. Employ services it deems necessary, including legal services, for
32 the operation and administration of the plan and fund.

33 2. Utilize separate or commingled investment vehicles.

34 3. Delegate authority to the administrator employed pursuant to
35 section 38-848, subsection K, paragraph 6.

36 4. Appear before local boards and the courts and political
37 subdivisions of this state through counsel or appointed representatives to
38 protect the fund. The fund manager is not responsible for the actions or
39 omissions of the local boards under this plan but may seek review or a
40 rehearing of actions or omissions of local boards. The fund manager does not
41 have a duty to review actions of the local boards but may do so, in its
42 discretion, in order to protect the fund.

43 5. Perform all acts, whether or not expressly authorized, which it
44 deems necessary and proper for the protection of the plan and fund.

45 Sec. 9. Section 41-723, Arizona Revised Statutes, is amended to read:

1 41-723. Governor's office of strategic planning and budgeting:
2 duties

3 ~~A. The director shall designate a person to be in charge of~~
4 ~~preparation of the executive budget as the federal state fiscal research~~
5 ~~officer.~~

6 B. The director ~~or the federal state fiscal research officer~~ OF THE
7 GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING shall:

8 1. Confer with officials of federal agencies concerning grants-in-aid
9 generally, and particularly in regard to federal-aid programs in progress in
10 ~~the~~ THIS state ~~of Arizona~~.

11 2. Report to the legislature at each regular session findings and
12 recommendations in the following areas:

13 (a) The total amount of federal grants-in-aid received by ~~Arizona~~
14 agencies OF THIS STATE during the preceding fiscal year.

15 (b) The total amount of federal grants-in-aid available to ~~Arizona~~
16 agencies OF THIS STATE during the preceding fiscal year, giving reasons for
17 any difference between the amount of ~~funds~~ MONIES available to and the amount
18 of ~~funds~~ MONIES accepted by ~~Arizona~~ agencies OF THIS STATE in all federal
19 grant-in-aid programs.

20 (c) The adequacy of grant-in-aid programs in progress in ~~the~~ THIS
21 state ~~of Arizona~~.

22 Sec. 10. Section 41-1292.03, Arizona Revised Statutes, is amended to
23 read:

24 41-1292.03. Joint legislative review committee on
25 transportation between Sonora, Mexico and Arizona

26 A. The joint legislative review committee on transportation between
27 Sonora, Mexico and Arizona is established. The committee consists of:

28 1. Two members of the senate who are appointed by the president of the
29 senate, one from each political party.

30 2. Two members of the house of representatives who are appointed by
31 the speaker of the house of representatives, one from each political party.

32 3. The chairperson of the committee in the house of representatives
33 that considers transportation issues who serves as cochairperson.

34 4. The chairperson of the committee in the senate that considers
35 transportation issues who serves as cochairperson.

36 5. The director of the department of commerce or the director's
37 designee.

38 6. The director of the department of public safety or the director's
39 designee.

40 7. One member who represents the department of transportation, who has
41 expertise in transportation and who is appointed by the director of the
42 department of transportation.

43 8. One member who represents the motor vehicle division of the
44 department of transportation, who has expertise in transportation and who is

1 appointed by the assistant director of the motor vehicle division of the
2 department of transportation.

3 9. Three members of the public, one of whom has expertise in
4 transportation, who are appointed by the governor.

5 10. One member who represents a federally recognized Arizona Indian
6 tribe with a reservation located within or adjacent to the CANAMEX high
7 priority corridor as defined in section 332 of the national highway system
8 designation act of 1995 (P.L. 104-59; 109 Stat. 596-597), who has expertise
9 in transportation and who is appointed by the governor.

10 11. ONE MEMBER WHO REPRESENTS THE ARIZONA OFFICE OF HOMELAND SECURITY.

11 B. The committee shall:

12 1. Coordinate efforts of the committee as reasonably practicable with
13 a like committee established by Sonora, Mexico.

14 2. Study issues and problems concerning transportation between Sonora,
15 Mexico and this state, including the following:

16 (a) The need to modify and improve border crossing procedures and
17 facilities.

18 (b) The advantages and disadvantages of issuing temporary travel
19 permits to Mexican commercial vehicles entering this state.

20 (c) The commercial impact of a deep sea port in Guaymas, Mexico.

21 (d) The potential impact of transporting hazardous materials between
22 Sonora, Mexico and this state.

23 (e) The current and any anticipated changes in the type and volume of
24 traffic on highways that carry commercial vehicles to the border between
25 Sonora, Mexico and this state.

26 (f) Environmental and safety problems caused by the type and
27 volume of traffic on highways that carry commercial vehicles to the border
28 between Sonora, Mexico and this state.

29 (g) Potential financing of any highway construction or planning, or
30 both, that may be recommended by the committee.

31 (h) The impact of foreign commercial vehicles on the transportation
32 infrastructure of this state.

33 (i) The balance between revenues collected at ports of entry on the
34 border between Sonora, Mexico and this state and the costs associated with
35 maintaining the transportation infrastructure within twenty-five miles of the
36 border between Sonora, Mexico and this state.

37 3. Annually make recommendations to the legislature regarding
38 appropriations made pursuant to section 28-6547.

39 4. Make recommendations to the legislature that will help alleviate
40 the current environmental, transportation infrastructure and safety problems
41 caused by the type and volume of traffic on highways that carry commercial
42 vehicles to the border between Sonora, Mexico and this state and
43 transportation problems experienced by businesses located on both sides of
44 the border between Sonora, Mexico and this state, that will improve road, air
45 and rail transportation between Sonora, Mexico and this state and regarding

highway construction and planning of highways that carry commercial vehicles to the border between Sonora, Mexico and this state.

5. Submit a report with its recommendations on or before December 1 of each year to the president of the senate, the speaker of the house of representatives, the governor, the chairman of the state transportation board and the committee established by Sonora, Mexico.

C. The members of the committee who are appointed pursuant to subsection A, paragraphs 9 and 10 serve two year terms.

D. The members of the committee are not eligible to receive compensation, but the members who are appointed pursuant to subsection A, paragraphs 9 and 10 are eligible to receive reimbursement for expenses pursuant to title 38, chapter 4, article 2.

E. An Arizona-Mexico commission in the governor's office shall facilitate the meetings of the committee. The committee shall use the services of the Arizona-Mexico commission, legislative staff and the staff of the department of transportation.

Sec. 11. Laws 2001, chapter 236, section 89, as amended by Laws 2002, chapter 327, section 103, is amended to read:

Sec. 89. STATE RETIREMENT SYSTEM

	<u>2001-02</u>	<u>2002-03</u>
FTE positions	168.0	168.0
Lump sum appropriation	\$ 14,536,400	\$ 14,475,100
Information technology plan	<u>9,000,000</u>	<u>9,000,000</u>
Total appropriation - state retirement system	\$ 23,536,400	\$ 23,475,100
Fund sources:		
State retirement system		
administration account	\$ 21,249,700	\$ 21,051,200
Long-term disability		
administration account	2,286,700	2,423,900
Performance measures:		
Per cent of members satisfied with ASRS		
telephone services	85	85
Per cent of members satisfied with the		
service purchase process	85	85
Per cent of investment returns	8.0	8.0
Per cent of liability funded	100	100
Per cent of benefit payment calculations		
that are accurate as measured by quality		
control sample	96	96

Before the expenditure of the \$18,000,000 biennial appropriation and the hiring of FTE positions appropriated for the agency's information technology plan, the retirement system shall present an expenditure plan to the joint legislative budget committee staff for review. The retirement system shall include the approval of the project investment justification document by the information technology authorization committee as part of its

1 submission to the joint legislative budget committee staff. On review, the
 2 agency shall provide semi-annual reports to the joint legislative budget
 3 committee staff regarding the expenditures and project tasks completed to
 4 date. Funding appropriated for this purpose is exempt from the provisions of
 5 section 35-190, Arizona Revised Statutes, relating to lapsing of
 6 appropriations through June 30, ~~2005~~ 2006. Actual divestiture of monies from
 7 the retirement fund for expenditure shall occur following the joint
 8 legislative budget committee staff review of the agency's information
 9 technology plan.

10 Sec. 12. Laws 2003, chapter 262, section 88 is amended to read:

11 Sec. 88. STATE RETIREMENT SYSTEM

	<u>2003-04</u>	<u>2004-05</u>
FTE positions	197.0	197.0
Operating lump sum appropriation	\$ 13,916,100	\$ 14,197,100
Information technology plan	<u>8,994,200</u>	<u>8,994,300</u>
Total appropriation - state retirement system	\$ 22,910,300	\$ 23,191,400
Fund sources:		
State retirement system		
administration account	\$ 20,293,500	\$ 20,293,700
Long-term disability		
administration account	2,616,800	2,897,700
Performance measures:		
Per cent of members satisfied with ASRS		
telephone services	87	87
Per cent of members satisfied with the		
service purchase process	82	82
Per cent of investment returns	8.0	8.0
Per cent of liability funded	100	100
Per cent of benefit payment calculations		
that are accurate as measured by quality		
control sample	96	96

1 Before the expenditure of the appropriation of \$8,994,200 in fiscal
2 year 2003-2004 and \$8,994,300 in fiscal year 2004-2005 and the hiring of FTE
3 positions appropriated for the agency's information technology plan, the
4 retirement system shall present an expenditure plan in each year to the joint
5 legislative budget committee staff for review. The retirement system shall
6 include the approval of the project investment justification document by the
7 information technology authorization committee as part of its submission to
8 the joint legislative budget committee staff. The agency shall provide
9 semi-annual reports to the joint legislative budget committee staff regarding
10 the expenditures and project tasks completed to date. Funding appropriated
11 for this purpose is exempt from the provisions of section 35-190, Arizona
12 Revised Statutes, relating to lapsing of appropriations through June 30, ~~2005~~
13 2006. Actual divestiture of monies from the retirement fund for expenditure
14 shall occur following the joint legislative budget committee staff review of
15 the agency's information technology plan.

16 Sec. 13. Program budgeting conversion; delay

17 Notwithstanding section 35-113, Arizona Revised Statutes, the
18 conversion of budgeting structures to program budgeting structures for the
19 following budgets shall be delayed to fiscal year 2006-2007:

- 20 1. Arizona health care cost containment system.
- 21 2. Department of economic security.
- 22 3. Department of health services.
- 23 4. Arizona department of housing.
- 24 5. Arizona board of regents.
- 25 6. Arizona state university - main campus.
- 26 7. Arizona state university - east campus.
- 27 8. Arizona state university - west campus.
- 28 9. Northern Arizona university.
- 29 10. University of Arizona - main campus.
- 30 11. University of Arizona - health sciences center.

31 Sec. 14. State department of corrections; expenditure reporting

32 Notwithstanding any other law, the state department of corrections
33 shall report actual fiscal year 2004-2005, estimated fiscal year 2005-2006
34 and requested fiscal year 2006-2007 expenditures by prison complex, community
35 corrections, private prisons and central administration when the department
36 submits the fiscal year 2006-2007 budget request pursuant to section 35-113,
37 Arizona Revised Statutes.

1 Sec. 15. ASRS: employer contributions

2 A. Notwithstanding any other law, for fiscal years 2005-2006 and
3 2006-2007, the employer contribution rate for this biennial period shall be a
4 percentage as determined by the ASRS actuary pursuant to this section. The
5 employer contribution rate for the biennial period, when applied to the
6 compensation of all active members, shall equal the employer normal cost plus
7 the amount required to amortize the past service funding requirement over a
8 rolling thirty-year period. The employer contribution rate for the biennial
9 period shall not be less than four per cent.

10 B. The ASRS actuary shall determine the employer contribution rate for
11 the biennial period as follows:

12 1. The ASRS actuary shall use the valuation of the defined benefit
13 plan of ASRS performed as of June 30, 2004.

14 2. The actuarial cost method shall be the projected unit credit
15 method.

16 C. The ASRS actuary shall determine the employer contribution rate for
17 each year of the biennial period as follows:

18 1. The employer contribution rate for each year of the biennial period
19 shall be determined so that the average of the employer contribution rate for
20 the first year and the second year of the biennial period shall be equal to
21 the employer contribution rate for that biennial period.

22 2. The difference between the employer contribution rate for the first
23 year and the second year of the biennial period shall be equal to the
24 difference between the employer contribution rate for the second year of the
25 preceding biennial period and the employer contribution rate for the first
26 year of that biennial period.

27 3. In consideration of the best interest of ASRS members and
28 beneficiaries, ASRS may adjust the contribution rate for the second year of
29 the biennial period based on the actuarial valuation as of June 30
30 immediately preceding the first year of the biennial period.

31 D. The amount of employer contributions for a fiscal year shall be
32 equal to the product of the employer contribution rate for that fiscal year
33 and the compensation during that fiscal year of all active members.

34 Sec. 16. Phase-in of nonappropriated monies report

35 The governor's office of strategic planning and budgeting and the
36 department of administration shall phase-in the nonappropriated monies report
37 required by section 35-123, Arizona Revised Statutes, as added by this act,
38 and section 35-131, Arizona Revised Statutes, as amended by this act. The
39 preliminary report shall be submitted by June 1, 2006 for the department of
40 administration and by August 1, 2006 for the governor's office of strategic
41 planning and budgeting. The preliminary report shall provide partial year
42 information for five pilot agencies, as determined in consultation with the
43 staff of the joint legislative budget committee. A final report with full
44 year data for the five pilot agencies shall be submitted by December 1, 2006

1 for the department of administration and by February 1, 2007 for the
2 governor's office of strategic planning and budgeting.

3 Sec. 17. Study: federal monies clearinghouse: report

4 The governor's office of strategic planning and budgeting shall:

5 1. Study the need to establish a central clearinghouse to track all
6 federal monies coming into this state, all federal monies being expended by
7 this state and all possible sources of federal monies available, or that can
8 be made available, to this state.

9 2. Make recommendations on the structure of the clearinghouse, its
10 resource needs and the objectives of the clearinghouse.

11 3. Provide a progress report to the joint legislative budget committee
12 on or before September 1, 2005.

13 4. Report its findings and recommendations to the governor, the
14 president of the senate and the speaker of the house of representatives on or
15 before December 1, 2005.

16 Sec. 18. Retroactivity

17 A. Sections 38-803, 38-848 and 38-883, Arizona Revised Statutes, as
18 amended by this act, apply retroactively to from and after June 30, 2005.

19 B. Laws 2001, chapter 236, section 89, as amended by Laws 2002,
20 chapter 327, section 103 and this act, applies retroactively to from and
21 after June 30, 2005.

22 C. Laws 2003, chapter 262, section 88, as amended by this act, applies
23 retroactively to from and after June 30, 2005.

24 D. Section 15 of this act, relating to ASRS employer contributions, is
25 effective retroactively to from and after June 30, 2005.

26 Sec. 19. Effective date

27 Section 38-737, Arizona Revised Statutes, as amended by this act, is
28 effective from and after June 30, 2007.